



TESTIMONY
of the
CONNECTICUT CONFERENCE OF MUNICIPALITIES
to the

ENERGY AND TECHNOLOGY COMMITTEE

March 16, 2010

CCM is Connecticut's statewide association of towns and cities and the voice of local government - your partners in governing Connecticut. Our members represent over 90% of Connecticut's population. We appreciate this opportunity to provide testimony to you on issues of concern to towns and cities.

Raised House Bill 5505 "*An Act Concerning Electric Rate Relief.*"

CCM supports section 31 of HB 5505, which would clarify the ability of municipalities to enter into energy performance contracts. Such an option would assist municipalities in meeting the needs of aging infrastructure by re-directing dollars currently spent on energy into much-needed improvements.

An energy performance contract is an agreement between a government and a private energy services provider, or ESP. The ESP identifies and evaluates energy-saving opportunities and recommends improvements that can be paid for through savings. The ESP usually guarantees that savings will meet or exceed annual payments to cover all project costs.

Energy performance contracts include, (1) project development agreements that identify what needs to be done to save money, (2) energy services agreements that outline how savings continue after equipment has been installed and, (3) financing agreements, or tax-exempt lease-purchase agreements. Tax-exempt lease-purchase agreements are used as the financial instrument in performance contracts. These agreements allow governments to pay for energy upgrades by using money already in their utility budgets rather than limited capital dollars.

Currently the statutes do not specifically address whether municipalities are authorized to enter into energy performance contracts. However, CGS §7-148 allows municipalities to enter into contracts and authorizes them to provide a wide range of services that require the use of buildings. As a result, charters, codes, and the municipal attorneys interpreting the statute differ on the ability of municipalities, school districts, etc., to use performance contracting as a vehicle to make improvements to their infrastructure. Section 31 of HB 5505 would provide local

governments the statutory tools required to implement such energy efficient policy, while preserving local option.

In today's tight economy with uncertain and often increasing energy prices, a good energy efficiency policy is necessary. A long-term solution such as energy performance contracting not only stabilizes costs into the future but provides a means to implement these projects now. This is a crucial element for local officials as they struggle to keep town and cities budgets whole.

CCM urges the committee to *favorably report this provision.*

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If you have any questions, please contact Donna Hamzy, Legislative Associate via email dhamzy@ccm-ct.org or via phone at (203) 843-0705.